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February 22, 2006

Marc A. Fox
Director of Human Resources
City of Pittsburg
65 Civic Avenue
Pittsburg, CA 94565-3814

RE: Proposed Regulations: CCR Section 575.1

Dear Mr. Fox:

We would like to thank you for taking the time to submit comments regarding the proposed regulatory action by CalPERS to codify current practices for interest on member installment payments under California Code of Regulations (CCR) section 575.1.

Under current law and the proposed regulation, the interest rate in effect at the time a member elects to purchase service credit is applied from the effective date of the service credit election through the completion of payments. In your public comment letter regarding the proposed regulations, you suggest that the proposed amendment to CCR section 575.1 be changed to reflect that a member will be charged the interest rate in effect at the time of each installment payment.

We would like to point out that, absent a change in the law, Government Code sections 20178 and 20132 would preclude the CalPERS Board from making your suggested changes. Government Code section 20178 establishes a six-percent interest crediting rate. For those service credit purchases where the interest on installment payments is tied to the interest crediting rate, only legislation can change that long-standing rate. For those service credit purchases where the interest on installment payments is fixed by the Board, Government Code section 20132, subdivision (b), provides as follows:

“(b) A change in interest rate adopted by the board shall not apply to any election of a member to deposit or redeposit contributions, including interest, filed prior to the date the change was placed into effect.”

Based on the statutory provisions that would preclude the CalPERS Board from taking the action you request, CalPERS staff will not recommend to the Board that the City's suggested modification be made to the proposed regulations.

Please note that a public hearing on the proposed regulatory actions by CalPERS will be held on March 14th, 2006, in the CalPERS Auditorium at 400 P Street, Sacramento.

Thank you very much for your letter and input. Your comments will be become part of the file for this regulatory action. If you have any questions, please feel free to contact us at the phone number provided above.

Sincerely,

Ken Nitschke, Chief
CalPERS Office of Policy and Program Development

cc: Kathie Vaughn, Assistant Executive Officer
Member and Benefit Services